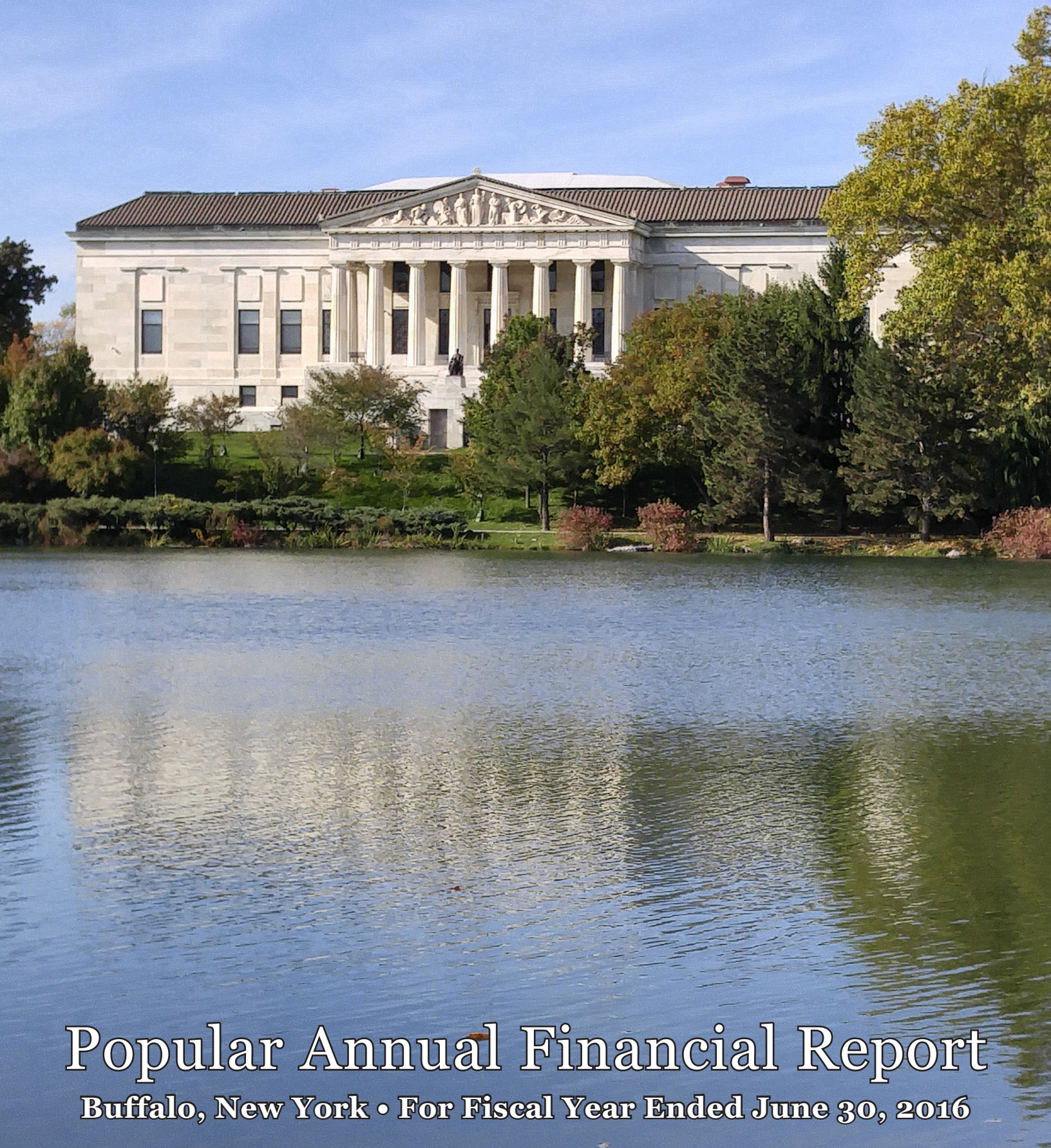


# CITY OF BUFFALO



Popular Annual Financial Report  
Buffalo, New York • For Fiscal Year Ended June 30, 2016

# About This Report

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## *A Message from the Comptroller*

December 30, 2016

As the Comptroller for the City of Buffalo, I am pleased to present to you our Popular Annual Financial Report (PAFR) for the fiscal year ended June 30, 2016.

Annually, the City issues audited financial statements, known as the Comprehensive Annual Financial Report (CAFR), which is prepared in accordance with Generally Accepted Accounting Principles (GAAP). The CAFR contains detailed financial and disclosure information for the City that, although extremely informative, can prove challenging to interpret for those who do not regularly review financial statements.

The PAFR, on the other hand, presents the financial information from the CAFR in a more concise and user-friendly format. Please note that this PAFR is unaudited and presented on a non-GAAP basis. Only general government financial data is provided in this report. Information about component units and enterprise funds is available in the CAFR.

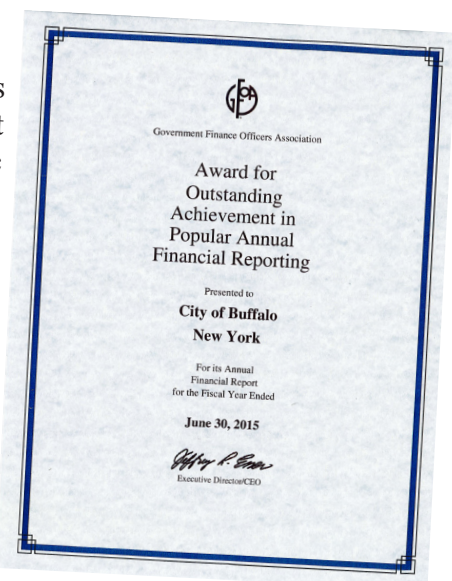
Last year's PAFR received an Award for Outstanding Achievement in Popular Annual Financial Reporting from the Government Finance Officers Association of the United States and Canada (GFOA). The GFOA also awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for last year's CAFR, the tenth consecutive year Buffalo has earned that honor. Electronic copies of both the CAFR and PAFR can be found at our website:  
[www.city-buffalo.com/comptroller](http://www.city-buffalo.com/comptroller)

In addition to information about the City's finances, this PAFR contains information about Buffalo's governmental structure, economic progress, business climate, education system, cultural attractions, and demographics. Thank you for your interest in our City, and we hope you enjoy this report!

Sincerely,



**Mark J.F. Schroeder**



# Business & Economic Development

## Largest Public Companies

M&T Bank  
Moog  
National Fuel Gas  
First Niagara  
Gibraltar Industries  
Astronics  
Columbus McKinnon  
Computer Task Group  
Sovran Self Storage  
Ecology and Environment

## Largest Private Companies

Rich Products Corporation  
Delaware North  
Tops Markets  
LPCiminelli  
Employer Services  
Curbell  
CannonDesign  
Jack Hunt Coin Broker  
Stampede Presentation Products  
Realty USA.com

## Largest Employers

New York State  
United States of America  
Kaleida Health  
University at Buffalo  
Catholic Health  
M&T Bank  
Tops Markets  
Buffalo City School District  
Erie County  
Seneca Gaming

## Headquartered in Buffalo

M&T Bank  
Moog  
Delaware North  
Rich Products  
Labatt USA  
New Era Cap  
Lactalis American Group

Source: 2016 Buffalo Business First Book of Lists

## Panasonic will invest in Tesla's South Buffalo solar plant

- The Buffalo News  
December 27, 2016

Two of the biggest names in cutting-edge technology will join forces in Buffalo, as Panasonic announced plans to invest \$256 million in Tesla's solar panel manufacturing facility in the city. Panasonic and longtime partner Tesla, which acquired SolarCity in November 2016, plan to begin production at the 1.2 million square-foot factory in the summer of 2017. Tesla also plans to manufacture solar roofing tiles at the plant, which will be the largest solar manufacturing facility in the western hemisphere. Both companies affirmed a previous commitment by SolarCity to create 1,400 jobs at the site, more than 500 of which will be manufacturing jobs.

### Buffalo Billion helps fuel construction boom

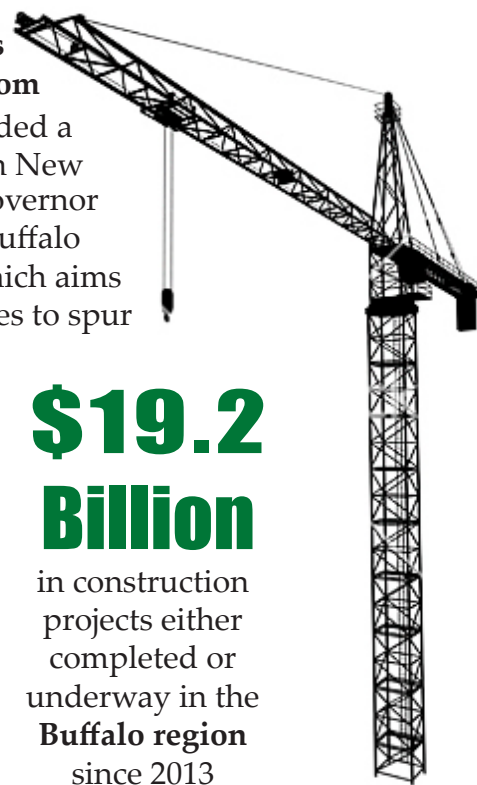
The Tesla plant included a \$750 investment from New York State, part of Governor Andrew Cuomo's "Buffalo Billion" initiative, which aims to use public resources to spur private investment.

**\$7.9  
Billion**

in construction  
projects either  
completed or  
underway in the  
**City of Buffalo**  
since 2013

**\$19.2  
Billion**

in construction  
projects either  
completed or  
underway in the  
**Buffalo region**  
since 2013



Source: Buffalo Business First

# Business & Economic Development



## Buffalo Niagara Medical Campus

The “Buffalo Billion” has also led to critical state investments at the Buffalo Niagara Medical Campus, a consortium of the region’s top health care, education, and research institutions. The 120-acre site adjacent to downtown will have 17,000 employees by 2017 upon the completion of several major projects at the campus, including Kaleida Health’s \$250 million Children’s Hospital and the University at Buffalo’s \$375 million new medical school

Roswell Park Cancer Institute, which just completed a \$50 million expansion, recently secured approval from the U.S. Food and Drug Administration to begin clinical trials of a potential lung cancer vaccine.

More than 130 start-up companies have been founded at the campus, capitalizing on synergy created by so many different entities on one site.

## Growth in Buffalo’s home prices ranks 4th in nation



According to Kiplinger’s magazine, using data from Clear Capital, Buffalo’s home prices increased 20.3 percent from 2006 to 2015. This ranks fourth among the nation’s top 100 metro areas, behind only Austin, Honolulu, and Denver.



Capitalizing on its Lake Erie shoreline and historic significance as the western terminus of the Erie Canal, Buffalo has recently made great strides in developing its waterfront.

The centerpiece of this effort is Canalside, a year-round destination in downtown Buffalo. More than 1.5 million visitors enjoyed Canalside in the summer of 2016, with more visitors expected during the colder months thanks to its popular ice rink.



Canalside’s popularity has led to more than a half billion dollars in private development in the area surrounding the attraction. This includes HarborCenter, where the National Hockey League’s Buffalo Sabres have built a \$250 million, 20-story facility that recently hosted the 2016 NHL Draft. Waterfront development has spread past downtown, with recent park projects leading to nearby residential developments on the Outer Harbor and the Buffalo River.



Buffalo’s tallest building, the **Seneca One Tower** (left, behind One Canalside), was purchased in September by Doug Jemal, the #2 commercial real estate developer in the Washington, D.C. market, who plans to spend as much as \$200 million on a mixed-use redevelopment, according to the Buffalo News.

# Education & Culture

## Colleges & Universities

The Buffalo area is home to 21 colleges & universities, for a total of 110,000 students and 32,000 employees in higher education, creating a \$3.2 billion economic impact.

University at Buffalo  
Buffalo State College  
Fredonia State College  
Canisius College (*right*)  
Niagara University  
Alfred State  
D'Youville College  
Daemen College  
Alfred University  
Medaille College  
St. Bonaventure University  
Houghton College  
Hilbert College  
Empire State College  
Villa Maria College  
Erie Community College  
Niagara Community College  
Genesee Community College  
Jamestown Community College  
Bryant & Stratton College  
Trocaire College

The Buffalo area is home to world-renowned architecture, museums, and other cultural attractions.

## Cultural Attractions:

Albright-Knox Art Gallery  
Buffalo History Museum  
Burchfield Penney Arts Center  
Buffalo Philharmonic Orchestra  
Shea's Performing Arts Center  
Chautauqua Institute  
Buffalo Zoo  
Bflo. & E.C. Botanical Gardens  
Buffalo Museum of Science

## Notable Architecture:

Darwin D. Martin House  
H.H. Richardson Towers  
Guaranty Building  
Our Lady of Victory Basilica  
Electric Tower  
Ellicott Square Building  
Central Terminal  
Graycliff  
Kleinhan's Music Hall



## **Albright-Knox Art Gallery raises \$100 million for expansion project**

One of the world's leading museums for modern and contemporary art, the Albright-Knox Art Gallery, has raised more than \$100 million for an ambitious expansion project. \$42.5 million came from Jeffrey Gundlach, who will be honored in the new name of the gallery, the Albright-Knox-Gundlach Art Museum. Its collection includes works by Pablo Picasso, Vincent van Gogh, and Andy Warhol.



# Demographics



<b>City Population</b> (2010 census)	261,310
<b>City Population</b> (2015 estimate)	258,071
<b>Erie County Population</b> (2014 estimate)	922,578
<b>Metropolitan area population</b> (2014 estimate)	1,136,360
<b>Land area in square miles</b>	40.38
<b>Persons per square mile</b> (2010)	6,470
<b>Male</b> (2010)	47.90%
<b>Female</b> (2010)	52.10%
<b>Persons 65 or older</b> (2010)	11.40%
<b>Per Capita money income</b> (2010-2014)	\$20,726
<b>Persons below poverty level</b> (2010-2014)	30.9%
<b>Speak language other than English</b> (2010-2014)	15.9%
<b>Foreign-born</b> (2010-2014)	8.6%
<b>Homeownership rate</b> (2010-2014)	41.6%
<b>Mean travel time to work</b> (2010-2014)	20 minutes
<b>Education attainment</b> (over the age of 25)	
<i>High school graduate or higher</i> (2010-2014)	82.5%
<i>Bachelors degree or higher</i> (2010-2014)	24.7%

<b>Occupations</b> (2010-2014)	
<i>Management, Business, Science &amp; Arts</i>	32.4%
<i>Service</i>	24.7%
<i>Sales and Office</i>	24.6%
<i>Natural Resources, Construction, Maintenance</i>	5.3%
<i>Production, Transportation &amp; Material Moving</i>	13.0%
<b>Class of Worker</b> (2010-2014)	
<i>Private worker</i>	79.3%
<i>Government worker</i>	16.9%
<i>Self-employed</i>	3.8%
<b>By Household</b> (2010-2014)	
<i>Households</i>	111,444
<i>Median Value of Owner Occupied Housing</i>	\$67,800
<i>Median household income</i>	\$31,668
<i>Persons Per Household</i>	2.25
<b>Unemployment rate (as of 6/16)*</b>	
<i>Buffalo (metro)*</i>	4.6%
<i>New York State*</i>	4.7%
<i>United States**</i>	4.9%

Source: U.S. Census Bureau

\*Source: N.Y.S. Dept. of Labor

\*\*Source: U.S. Dept. of Labor

# City Government

## Leadership

### MAYOR

Byron W. Brown  
201 City Hall  
Buffalo, NY 14202  
(716) 851- 4851

### COMPTROLLER

Mark J.F. Schroeder  
1225 City Hall  
Buffalo, NY 14202  
(716) 851- 5255

### COMMON COUNCIL

Darius G. Pridgen  
Council President  
Ellicott District  
(716) 851-4980

David A. Rivera  
Majority Leader  
Niagara District  
(716) 851-5125

Christopher P. Scanlon  
President Pro Tempore  
South District  
(716) 851-5169

Joel P. Feroletto  
Delaware District  
(716) 851-4553

Richard A. Fontana  
Lovejoy District  
(716) 851-5151

David A. Franczyk  
Fillmore District  
(716) 851-4138

Joseph Golombek Jr.  
North District  
(716) 851-5116

Ulysees O. Wingo  
Masten District  
(716) 851-5145

Rasheed Wyatt  
University District  
(716) 851-5165



## Departments

### **ADMINISTRATION, FINANCE, POLICY, & URBAN AFFAIRS**

Includes Divisions of Budget,  
Treasury, Collections, and Purchase.

### **AUDIT & CONTROL**

Led by the Comptroller, includes  
Divisions of Accounting, Audit, and  
Investment & Debt Management.

### **ASSESSMENT & TAXATION**

Responsible for the preparation and  
mailing of City property tax  
and sewer rent bills.

### **COMMON COUNCIL**

The legislative body of the City, which  
also oversees the City Clerk's office.

### **COMMUNITY SERVICES**

Includes Divisions of Youth  
Services and Senior Services.

### **EXECUTIVE DEPARTMENT**

Includes Office of Strategic  
Planning and Divisions of  
Citizen Services and Real Estate.

### **FIRE DEPARTMENT**

Responded to 38,039 calls in 2016.\*

### **HUMAN RESOURCES**

Responsible for all personnel functions,  
including benefits and training programs,  
for the City's 2,646\* employees.

### **LAW**

Prosecutes and defends all actions  
and proceedings brought by or  
against the City. Also responsible  
for drafting and reviewing all  
contracts involving the City.

### **PARKING**

Responsible for parking meters  
and city owned parking ramps.

### **PERMITS AND INSPECTIONS**

Conducted 66,700 inspections  
and 136 demolitions in 2016.\*

### **POLICE DEPARTMENT**

Made 12,016 arrests and enforced  
55,676 traffic violations in 2016.\*

### **MANAGEMENT INFORMATION SYSTEMS**

The City's Information Technology  
department provides computers  
and internet service.

### **PUBLIC WORKS, PARKS, & STREETS**

Responsible for maintenance and  
capital improvement to infrastructure  
and buildings, street lighting, sanitation,  
snow removal, and parks maintenance.

*\*Source: 2016 Comprehensive  
Annual Financial Report*

# City Finances

## Fund Balance

### General Fund:

**\$149.5 million**

*The City's main operating fund*

#### **Includes:**

#### Emergency Stabilization Fund

**\$36.3 million**

*30 days' worth of expenditures; only for unanticipated non-recurring expenses. Also known as the Rainy Day Fund*

#### Non-spendable

**\$27.7 million**

*Land Held for Resale, Solid Waste Deficit, Prepaids*

#### Restricted

**\$8.2 million**

*Capital Outlay, Emergency Medical Service*

#### Assigned

**\$35.4 million**

*Encumbrances, Judgments and Claims, Next Year's Budget Deficit*

#### Unassigned

**\$41.9 million**

*Free and clear for general purpose use*

## Fitch upgrades Buffalo's bond rating to "AA-"

Fitch Ratings has upgraded the City of Buffalo's bond rating to "AA-" in its latest rating report, the highest rating the city has received from the agency.

"We are thrilled to be in the 'Double A' category with Fitch," said Buffalo Comptroller Mark J.F. Schroeder.

"This is the first upgrade we have received from Fitch since it started rating the city in 2010."

The "AA-" rating is one notch higher than the "A+" Buffalo received from Fitch in April, and is currently the city's highest rating. Standard & Poor's upgraded the city to an "A+" rating in 2014, while Moody's upgraded Buffalo to "A1" in 2012.

"All three of the major rating agencies have upgraded the city in the brief time that I've been comptroller," said Schroeder, who took office in 2012. "That shows

that Wall Street has taken notice of the progress Buffalo has made, both in managing its finances and building its economy."

Schroeder took analysts from Fitch on a tour of Buffalo last year in an effort to showcase the city's economic development projects. The tour included stops at the SolarCity

site, the Buffalo Niagara Medical Campus, Larkinville, Canalside, the Outer Harbor, and the Buffalo River. Schroeder gave analysts from Moody's and Standard & Poor's similar tours in prior years.

Schroeder said Buffalo's higher rating with Fitch will help the City get lower interest rates when he goes to the bond market next spring to finance the city's capital projects.

"We sell our bonds in a competitive bidding process," said Schroeder. "Better ratings mean lower interest costs for taxpayers."

### Buffalo's Bond Ratings

**Fitch Ratings: AA-**

**MOODY'S: A1**

**STANDARD & POOR'S: A+**

## City receives \$1 million refund after Comptroller Schroeder's audit of electricity charges

The City of Buffalo has been refunded more than \$1 million by National Grid as a result of an audit of street light and electricity costs by Buffalo Comptroller Mark J.F. Schroeder.

"The city was being charged for street light fixtures that did not exist," said Schroeder. "Because of our audit, we were able to recoup those funds for taxpayers – with interest."

Interest represented about 40 percent of the \$1 million refund.

"National Grid has to pay the same rate of interest that it charges its customers for late payments – 1.5 percent a month," said Schroeder.

Schroeder said the city has filed more than a dozen additional claims as a result of his audit, and he expects those claims to yield refunds as well.

"There were other significant overcharges that the audit identified, and we are pursuing refunds for those as well," said Schroeder.

# City Finances

## Revenues & Expenditures

General Fund revenues decreased by \$17.8 million, while General Fund expenditures decreased by \$10.8 million, from 2015 to 2016. Under current operations, revenues are not likely to keep pace with expenditures in the long term. The City must address this discrepancy in order to provide a structurally balanced budget and to avoid depleting its reserves.

General Fund (in millions)	2016	2015
<b>Beginning General Fund Balance</b>	<b>\$151.2</b>	<b>\$146.4</b>
Revenues	452.5	470.3
Expenditures	(435.8)	(446.6)
Transfers to Debt Service and Refuse Funds	(28.4)	(33.7)
Other Transfers from Water and Parking Funds	10.0	14.8
Net Change in Fund Balance	(1.7)	4.8
<b>Ending General Fund Balance</b>	<b>\$149.5</b>	<b>\$151.2</b>

### Revenues

Revenue Source (in millions)	2016	2015
Intergovernmental	\$266.3	\$265.4
Property Tax	135.8	133.4
Charges	26.7	23.6
Gross Utility Tax	7.6	10.2
Other Taxes	6.8	5.8
Miscellaneous	9.3	31.9
<b>Total</b>	<b>\$452.5</b>	<b>\$470.3</b>

#### **Intergovernmental**

New York State Aid and Sales Tax revenue.

#### **Property Tax**

Imposed on taxable property in the City. The Homestead and Non-Homestead rates for 2016 were \$17.87 and \$26.99 per \$1,000 of assessed value, respectively.

#### **Charges**

License and permit fees, fines, and other service charges. The ability of the City to adjudicate traffic violations accounted for the increase in 2016.

#### **Gross Utility Tax**

Paid by providers of utilities on a percentage of their gross receipts.

#### **Other Taxes**

Includes Franchise Tax, Mortgage Tax, and Foreign Fire Insurance Tax.

#### **Miscellaneous**

Includes reimbursement for items sold, insurance reimbursement, interest income, and other rental revenue. In 2015, revenue from the settlement of collective bargaining agreements was included, but did not recur in 2016.

### Expenditures

Expenditure Type (in millions)	2016	2015
Personal Services	\$187.2	\$183.5
Fringe Benefits	125.1	136.4
Supplies	8.6	9.2
Utilities	13.4	16.9
Services	23.1	21.1
Miscellaneous	78.4	79.5
<b>Total</b>	<b>\$435.8</b>	<b>\$446.6</b>

#### **Personal Services**

Salary and overtime for City employees.

#### **Fringe Benefits**

Includes health and dental insurance for City employees and retirees, FICA, Medicare, and Workers' Compensation costs. Also includes contributions to the state retirement system, a reduction of which largely accounts for the decrease in this expense.

#### **Supplies**

Includes gasoline and automotive supplies.

#### **Utilities**

Predominately electricity for street lights and City-owned buildings, this expense also includes natural gas costs.

#### **Services**

Includes expenses for professional services provided by contractors hired by the City.

#### **Miscellaneous**

Includes an annual payment to the school district, which represents nearly 90 percent of this expense. Also includes payments of claims and judgments.

# City Finances

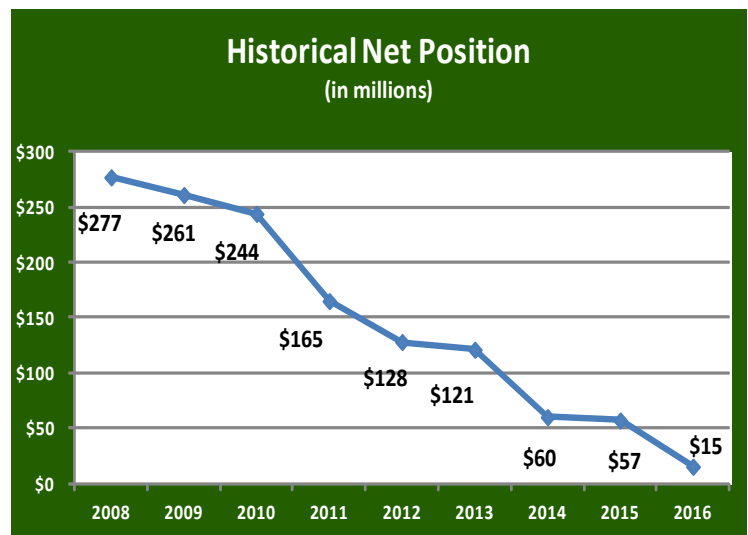
## Assets & Liabilities

To understand the City's flow of financial resources, we looked at where the money comes from and goes. When looking at the City's financial condition we focus on the net position: assets minus liabilities. By looking at this in an accrual basis of accounting, we consider all assets and liabilities at a certain date. This is different than the previous general fund analysis that was presented in a modified accrual basis of accounting. Over time, increases or decreases in net position serve as an indication of whether the financial condition is improving or deteriorating. Our Primary Government consists of governmental activities as well as the activities of our Refuse, Parking and Water Funds (Business-Type activities).

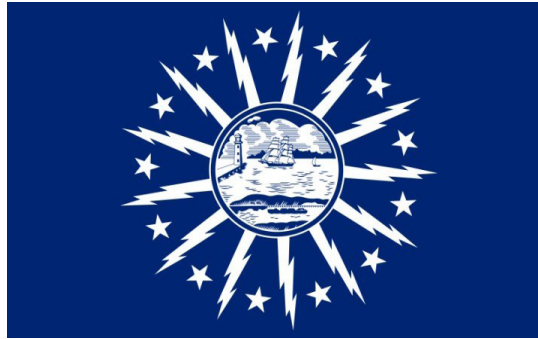
### Statement of Net Position (Primary Government)

<i>Our Assets and Outflows (What We Have)</i>		(in millions)
Unrestricted current assets consisting mainly of cash and amounts owed to the City		\$ 523.8
Restricted cash and cash equivalents		154.3
Real estate acquired for resale		9.5
Deferred outflows of resources		148.5
Net capital assets consisting primarily of buildings, equipment and vehicles		683.3
<b>Total assets and deferred outflows of the City</b>		<b>\$1,519.4</b>
<i>Our Liabilities and Inflows (What We Owe)</i>		
Current liabilities consisting of all the amounts the City owes and expects to pay in 2016, except City bonds		\$ 343.4
Other amounts the City owes and expects to pay after 2016, except for bonds, other post-employment benefits and net pension liability		52.5
Other post-employment benefits and net pension liability		675.0
Amount of bonds payable		412.5
Deferred inflows of Resources		20.8
<b>Total liabilities and deferred inflows of the City</b>		<b>\$1,504.2</b>
<b>Net Position</b>		<b>\$ 15.2</b>

Net position has been consistently trending downward over the past nine years. This decrease is largely a result of the recognition of Other Post-Employment Benefits, such as retiree health insurance, and annual revenue streams being less than annual expenses of the City of Buffalo. Some budgeting practices used in recent years could weaken the City's financial position and potentially jeopardize its bond rating, especially when relied upon year after year. The most concerning of these practices is the use of fund balance and other one-time revenues, as opposed to finding new recurring sources of revenue or reducing expenditures.



Presented by:



**Comptroller Mark J.F. Schroeder**

City of Buffalo

Department of Audit & Control

1225 City Hall

Buffalo, NY 14202

(716) 851-5255

[www.city-buffalo.com/comptroller](http://www.city-buffalo.com/comptroller)

**Mission Statement:**

**“The Department of Audit & Control will protect, report, and strengthen the City’s finances to help ensure an efficient, effective, and transparent government that will better serve the citizens and taxpayers of Buffalo.”**

**Vision Statement:**

**“To advance as a world class financial organization by unleashing our full potential”**

The Mission and Vision Statements were developed by the employees of the Department of Audit & Control.